

P-421/C-89-513; P-421/SA-89-746 ORDER GRANTING PETITION,  
PROVIDING RELIEF, REQUIRING FURTHER FILINGS, AND CLOSING DOCKETS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson  
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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of Excess  
Construction Charges Imposed by  
US WEST Communications

ISSUE DATE: July 12, 1991

DOCKET NOS. P-421/C-89-513;  
P-421/SA-89-746

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**PROCEDURAL HISTORY**

On August 30, 1989, US West Communications, Inc. (US WEST or the Company) filed a petition seeking Commission approval of a service area expansion. The Company wished to extend its service area into a previously unassigned territory, Hinsdale Island. Docket No. P-421/SA-89-746 (the Hinsdale docket) was assigned to this matter.

On July 10, 1989, a complaint against US WEST was filed on behalf of a Minnesota resident, Mrs. Inge LaJesse. Docket No. P-421/C-89-513 (the Lajesse docket) was assigned to this matter.

On April 4, 1990, the Department of Public Service (the Department) filed a Report of Investigation and Recommendation regarding both dockets. The Department's report was revised on November 7, 1990.

Both dockets came before the Commission for consideration on June 11, 1991.

**FINDINGS AND CONCLUSIONS**

**The Hinsdale Docket**

US WEST seeks service expansion into Hinsdale Island as a result of several requests for service by Hinsdale residents. There are currently 14 residents of the island who are potential US WEST customers. If granted approval for the expansion, US WEST plans

to install a 25 pair buried cable at a total cost of \$11,340. (Each cable "pair" can serve one telephone subscriber.) The cost would include splicing, plowing, engineering, and the cost of the cable. The Company would assess each of the 14 customers a one-time installation charge of \$453.60, which equals the total installation cost divided by 25. Each customer would thus be charged an amount which represents the cost of one cable connection.

The Department recommended approval of US WEST's service expansion into Hinsdale Island and of the Company's method of allocating cost.

Under Minn. Stat. § 237.16, the Commission has the authority to grant or deny a certificate of authority to a telephone company which wishes to expand into unassigned territory. The Commission finds that US WEST's proposed expansion is appropriate. Currently, no telephone company serves Hinsdale Island; the Company's expansion will bring a public benefit by allowing 14 residents to obtain telephone service.

The Commission finds that the Company's method of dividing cost is logical and just. The Company made the decision to install cable which has the potential of serving 25 customers. Each present resident needs only one cable connection for basic one party service. It is appropriate to assess each subscriber coming on the system the cost of installing one line of connection.

The Commission will approve the Company's expansion into the Hinsdale Island territory and the Company's proposed method of allocating the installation cost.

### **The LaJesse Docket**

Mrs. Inge LaJesse lives in a rural area of Itasca County located within US WEST's service territory. Mrs. LaJesse's complaint alleges that she attempted for two years to obtain telephone service from US WEST but found the installation cost prohibitive. The Company finally installed an 11-pair buried cable to serve the LaJesse residence; Mrs. LaJesse began receiving service on November 1, 1989.

The Company charged Mrs. LaJesse \$1,890 for the connection. To arrive at this figure, the Company divided the cost of the cable material (\$940.17) by 11 to arrive at a cable cost of \$85.47. The Company then added full excess construction costs for plowing and splicing, less a 700 foot construction allowance. Construction costs of \$1804.83 plus cable costs of \$85.47 brought the total cost to \$1,890 for Mrs. LaJesse. The Company reasoned that there would probably never be another customer served off the cable due to the sparse population of the area. US WEST had chosen 11-pair cable over a single wire not because it

anticipated future expansion but because this was its usual engineering practice when dealing with long distances and because cable would result in less maintenance than buried wire. Because US WEST saw Mrs. LaJesse as the only potential subscriber served off the 11-pair cable, the Company charged her for the full cost of installation.

The Department recommended that the Company be required to recalculate its construction charges for Mrs. LaJesse. The Department stated that the Company should look at the number of cable pairs installed, rather than the number of potential subscribers, when assessing costs.

The Commission agrees with the Department's recommendation. As discussed previously, a calculation by which each subscriber is assessed the installation cost for his or her cable connection is fair and logical. If the Company's proposed method were used, and development should occur near the LaJesse site, Mrs. LaJesse would have subsidized the cost of plowing and splicing for the new customers. In addition, it is highly desirable to arrive at a consistent, logical cost allocation method which would be applied to all new customers. It is unduly discriminatory to allow customers to be treated in an arbitrary manner, as they would be if the Company's Hinsdale Island and LaJesse proposals were both implemented.

The Commission will require the Company to recalculate the installation charge for Mrs. LaJesse in a manner consistent with the Hinsdale Island proposal. The Department has shown that this method would bring Mrs. LaJesse's cost to \$249.55 (total cost of installation including full cost of cable at \$2,745 divided by 11). Because the Company's allocation method resulted in improper excess construction charges for Mrs. LaJesse, the Company must refund the difference between the amount which Mrs. LaJesse has paid to date on her installation costs and the amount which should have been charged (\$249.55.)

### **Excess Construction Charge Tariff**

No party disputes that it is proper to allow telephone companies the right to charge new customers excess construction charges. It is fair to require customers coming on the system to absorb a significant part of installation costs rather than passing them on to ratepayers.

The method of allocating the construction costs, however, must not be unreasonable or discriminatory. In the case of US WEST, the Company has an excess construction tariff on file which allows the Company to charge the cost but does not state how the charges are to be calculated. As the Hinsdale Island and LaJesse cases have shown, the result can be cost allocations which are inconsistent and discriminatory.

The Commission will therefore require the Company to develop an excess construction tariff which includes specific language regarding the following:

1. The amount of free footage allowed in cable installation;
2. An explanation of how the footage allowance varies under different circumstances;
3. Where measurement of the cable installation begins;
4. Where footage allowance begins.

#### **Standards and Criteria for Facilities Deployment**

Installation of new telephone connections requires Company decisions regarding capacity needs and cable size. These determinations affect the cost to residents coming onto the system. Uncertainty regarding decision criteria can bring confusion to potential subscribers and can provide an environment for discriminatory treatment of customers.

The Company has agreed with the Department's recommendation that standards for capacity needs and cable size should be spelled out. The Commission will require US WEST to provide the Department with the standards the Company uses to determine the appropriate type and capacity of facilities for new installations. If no such standards exist, the Company must inform the Department of the decision criteria it uses to determine what type of facilities to install when new service is requested.

#### **Docket Closure**

The Commission agrees with the Department that issues raised by the Hinsdale Island petition and the LaJesse complaint have been addressed. The Commission will close these dockets.

#### **ORDER**

1. US WEST's petition at Docket No. P-421/C-89-513 is granted.
2. Within 30 days of the date of this Order, US WEST shall recalculate Mrs. LaJesse's installation charges in a manner consistent with the Hinsdale Island petition. The Company shall refund the difference between any amount Mrs. LaJesse has paid on the original assessment and the new assessment, together with accrued interest at the average prime rate.

3. Within 30 days of the date of this Order, US WEST shall file a revised excess construction charge tariff which includes specific language as set out in this Order.
4. Within 30 days of the date of this Order, US WEST shall provide the Department with its standards for capacity needs and cable size. If no such standards exist, the Company shall provide its decision criteria for these matters.
5. Dockets No. P-421/C-89-513 and P-421/SA-89-746 are closed.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)